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SUBJECT: INTERNATIONAL ASSISTANCE STRATEGY AND DELIVERY IN THE
CENTRAL HIGHLANDS OF VIETNAM

REFS: A) 04 HCMC 000210 B) 04 HCMC 001581 C) Hanoi 1111

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1. (SBU) Summary: Ongoing poverty and political unrest in 2001 and 2004 have led many international donors to develop a new plan of engagement in the Central Highlands. The Group of 4 (G4) (Canada, New Zealand, Norway and Switzerland), the European Union (EU) and the United Nations (UN) agencies have all moved to align their assistance, varying from issuing a joint strategy statement to formulating a joint agency program for the region. Official Development Assistance (ODA) in the Central Highlands is largely aligned with main GVN priority areas such as education and health programs that target disadvantaged children and ethnic minorities, rural infrastructure development, and forestry management and protection. A number of donors are also addressing areas that help the GVN tackle troublesome issues like decentralization and human capacity building, as well as bilingual and mother tongue education. Delivery strategies include increasing direct budget support and donor co-financing, forming sector wide partnerships and multi-donor trust funds and seeking more structured and systematic local planning and participation. End Summary.

Balancing Human Rights and Socioeconomic Development

2. (SBU) A mantra repeated widely among the international community in Hanoi is, "The situation in the Central Highlands is a development problem with a development solution." While there is considerable agreement on not abandoning the issue of human rights as a priority in the region, the common view is, as the Chief of Planning at the United Nations Children's Fund (UNICEF), put it: "You can't let social issues be drowned out by human rights because human rights will shut down the development game." EU member countries conceded that allowing the EU to take the lead on human rights, which it addresses through an annual joint statement and dialogue with the GVN, allowed each member country more freedom in engaging the GVN on development issues. In a statement at the December 2004 Consultative Group Meeting (CG), the G4 noted its concern about the disproportionate share of the poor represented by the Central Highlands ethnic minorities and a desire to seek solutions to "avoid the kind of social dislocation and dissatisfaction that has been evident in recent times." Many other donors stressed this desire to stabilize the region with socioeconomic assistance.

Donors Coordinate and Align Assistance

3. (SBU) The G4 joint CG statement was an outgrowth of discussions on a Central Highlands strategy the G4 began with the GVN following the 2001 riots. While the G4 has not yet reached the point of initiating a joint program for the region, its members prioritize development in the mountainous areas and look for ways to align their efforts. Similarly, the EU has formed a Central Highlands Working Group and is currently designing a Joint EU Action Plan for the region. The GVN has recently approved an EU study mission to the Highlands to help shape the development of the Action Plan.

4. (SBU) The UN agencies are moving to harmonize further their development strategy in the region. According to Nguyen Tien Phong, UNDP's Assistant Resident Representative and Head of Poverty and Social Development Cluster, the GVN has requested a joint UN family program, including the United Nations Development Program (UNDP), the United Nations Population Fund (UNFPA), UNICEF and possibly other agencies as well. This UN Central Highlands Program will focus on strengthening local capacity, decentralized planning and public resource management. Phong said activities and funding levels were still being discussed, but was optimistic that the program would be finalized in 2005.

5. (SBU) Representatives from France and Japan noted that

they do not yet have a special strategy toward the Central Highlands. Although there is considerable French assistance that covers the region, French Development Agency (AFD) and French Embassy officials emphasized that the Highlands is not an important development region since their focus is mainly the two poles of Hanoi and Ho Chi Minh City. Japan International Cooperation Agency (JICA) representatives described Japan's strategy in the Central Highlands as a "blank slate." As a result of the Vietnam Foreign Minister's visit to Japan in January 2005, during which the two governments discussed new directions for Japan's assistance in the development triangle (including the provinces surrounding the intersection of Cambodia, Laos and Vietnam), JICA is about to conclude planning for its first bilateral technical assistance project on forest protection in Kon Tum Province.

Strategies for Planning and Financing

16. (SBU) The international community is moving toward direct budget support and donor co-financing in Vietnam. Acting Head for the UK's Development for International Development (DFID), Phil Harding, notes that since 1997, DFID has not financed any purely bilateral projects in Vietnam, choosing to work in partnership with the GVN or to co-finance large World Bank and Asian Development Bank (ADB) projects. According to Harding, this reflects DFID's confidence in the GVN's ability to target and manage assistance effectively. Other donors choose co-financing to increase the impact of their funding by maximizing the scope of a project while minimizing extra administrative structures or parallel activities.

17. (SBU) Another means to streamline operational and funding mechanisms is establishing sector-wide multilateral partnerships and trust funds. The Forest Sector Support Partnership Program (FSPP) is a multi-donor, NGO and GVN sector wide initiative created in 2002. According to Ben Zech, Forestry and Biodiversity Officer at the Royal Netherlands Embassy, the FSPP has led to coordinated planning, financing and technical assistance in a sector that is critical to addressing the development challenge in the Central Highlands. The GVN has recently signed financing agreements establishing a USD 60 million multi-donor forestry trust fund administered through the World Bank. As a primary architect of the FSPP and the sector wide Trust Fund, Zech said that he has been invited to advise the donors in the education sector to facilitate changes in the same direction.

18. (SBU) In contrast to direct budget support at the central level or sector wide approaches, some donors and agencies are pursuing more targeted and direct engagement with the local levels to improve planning, implementation and supervision. As part of its strategy to help build local capacity, UNICEF will begin changing its delivery mechanism both to develop annual work plans with Provincial People's Committees (PPCs) and to fund the PPCs directly instead of through the central line ministries. In 2006, UNICEF will phase in this process in twelve provinces, including Kon Tum. UNICEF expressed concern that an overreliance on external budget support may undermine the sustainability of ODA activities. As one strategy to improve UNICEF's effectiveness while keeping its funding level low, the agency has mapped its various strands of Central Highland activities down to the commune level in order to concentrate its impact in select communes. Under the UN Family Program, the UNDP will also prioritize capacity building for provincial governments, especially in the area of public participation in elected bodies and pro-poor budgeting.

19. (SBU) Other donors and governments are trying to localize their support by pursuing multisectoral work in fewer geographic areas. The Danes will narrow their activities to fewer provinces, including those of the Central Highlands. Danida is also changing its implementing structure by shifting away from placing long-term technical staff at the central and provincial levels. To promote greater local implementation, Danida will greatly increase local capacity building.

110. (SBU) The Asian Development Bank (ADB) uses both geographic and socioeconomic targeting that concentrates nearly one third of its total funding to Vietnam in the Central Region, and especially the Central Highlands. Two key co-financed projects targeted at the central region on livelihood improvement and health care total over USD 60 million. Although primarily a source of financing, ADB has also initiated steps to increase local accountability and will require the development and review of provincial project plans in the beneficiary provinces.

Picture of ODA

111. (SBU) It is difficult to get a clear or complete picture of international assistance to the Central Highlands. Only a certain level of ODA is targeted directly to specific regions or provinces. Some projects are multi-province and may include Highlands provinces. Others may target groups such as ethnic

minorities or disadvantaged children. Many projects at the central level affect the Central Highlands, such as improving the use of data in planning or capacity building for the Committee on Ethnic Minorities. Most donors stressed that the proportion going to Central Highlands is hard to quantify. Implementing agencies reported the added difficulty of distinguishing the proportion of operational costs (as opposed to program funds) devoted to a region. The following section outlines major direct and indirect ODA to the Central Highlands where possible.

12. (SBU) Among the G4, Canada has dedicated one third of 2004 funding and will dedicate one half of 2005 fiscal year funding of its Canada Fund to carry out small projects targeted at reducing poverty in the Central Highlands. Canada Fund expenditures for 2004 totaled about USD 500,000. Canada and Norway also co-finance the World Bank's Primary Education for Disadvantaged Children Project (PEDC), which targets many districts in the Highlands, at levels of USD 12.4 million and USD 22 million, respectively. Switzerland, which emphasizes a participatory approach, supports a USD 645,000 sustainable forestry management initiative in Gia Lai Province as well as a USD 5.5 million extension training project in seven provinces, including Dak Lak. New Zealand contributed USD 250,000 to UNICEF's early childhood activities in the Northern Uplands (Northwest and Northeast Highlands) and the Central Highlands. Finally, Norway funded a USD 75,000 project to develop education glossaries in six ethnic minority languages.

13. (SBU) Among EU member states, Denmark, France and the Netherlands have the highest levels of bilateral assistance that includes the Highlands. Danida has worked in water sanitation since 1995 and public administration reform since 1997. In 2006, Danida plans to expand its fisheries work into Dak Lak, and a newly launched Business Sector Program will help private sector development in Lam Dong Province around Dalat. Total commitment to the region is USD 47 million with support in FY 2004 of USD 6 million. The French Embassy funds numerous small grants for social development such as leprosy relief, ethnic minority kindergartens and cultural research. Agence Francaise de Developpement (AFD) also funds two projects in cotton and rubber development, covering mainly the south but including some Highlands activities, and totaling over 44 million Euros (USD 57 million). The Netherlands' bilateral assistance in health care training and conservation in the region totals nearly USD 10 million. In addition, Germany also supports a program in rural development in Dak Lak totaling USD 3.2 million and Italy recently approved a USD 1.5 million grant to Gia Lai for a pilot project to be executed by the International Fund for Agricultural Development (IFAD).

14. (SBU) Sweden, France, the Netherlands and the UK also contribute high levels of co-financing to ADB and World Bank projects that affect the Central Highlands. Sweden contributes USD 7 million to ADB's Health Care for the Poor in five central provinces. France will support a multi-province agricultural diversification project of the World Bank at nearly USD 20 million. The Dutch are most active in the forestry sector, with total commitments of over USD 20 million for initiatives including the Central Highlands. In 2004, DFID gave USD 55 million in grant assistance to Vietnam with 51 percent going to budget support and the other 49 percent supporting co-financed projects in education, rural transport and public administration reform. The UK also co-finances two major ADB livelihood and capacity building projects (USD 27 million total) in the Central Region, which includes the Central Highlands and the Central Coast.

Budding NGO Presence

15. (SBU) Until recently, the GVN has made it difficult for major international NGOs (INGO) to establish a presence in the Central Highlands. The World Wildlife Fund (WWF) is the only large INGO with a lengthy and substantial presence in the region and has worked in a narrow niche in forestry protection and conservation. There are several small French, Dutch and Swiss NGOs and even a few U.S. NGOs working on small-scale projects in the region. Poverty specialists, who attribute the steady progress made in the Northern Uplands to the long-term commitment of donors and also the long-term and extensive presence of NGOs, suggest that the absence of these organizations in the Central Highlands has limited new ideas and models for development and that this lack has been a barrier to mobilizing engagement at the grassroots level.

16. (SBU) The Director of the NGO Resource Center, David Payne, speculates that attitudes might be changing, at least at the central government level. He reported that the State Committee on NGO Affairs (COMINGO) has made repeated trips to the Central Highlands in the last year to learn how to promote NGO activity there. In a major step forward, Action Aid began working in the Highlands in 2005. Through a memorandum of understanding with the local governments, Action Aid is launching a new initiative in Dak Lak, Kon Tum and Gai Lai provinces. Payne notes that in addition to Action Aid, Oxfam UK has also initiated talks with the GVN about working in the

Central Highlands. Both organizations are well regarded in Vietnam and have good partnerships with the Vietnamese both at the central, local and grassroots levels. According to Payne, they have also advocated on behalf of Vietnam on fair trade issues and are largely seen as independent from political agendas or association.

Attitudes toward U.S. Assistance

17. (SBU) At the central level, the party line from the GVN consistently welcomes international assistance from the United States to the Central Highlands, at least rhetorically. Ministry of Agriculture and Rural Development (MARD) officials expressed the hope that this study of the development context would be aimed at finding ways to generate U.S. assistance. In terms of specific areas for assistance, a steady refrain from the GVN was the great potential to develop industrial crops in the Highlands. To varying degrees, all of the ministries mentioned assistance in the top two GVN priorities in the region, industrial agriculture and processing and infrastructure development with an emphasis on irrigation. Ministry of Labor, Invalids and Social Affairs (MOLISA) and Ministry of Planning and Investment (MPI) also pointed to the need for better vocational and job skill training.

18. (SBU) While the message from other donors and from NGOs was much less certain, there was general agreement that the trend in the Central Highlands was probably towards more openness. The frequency of international missions and visitors to the Highlands since the April 2004 riots seems to support this trend, as does the emerging presence of INGOs there. Action Aid, which has just recently begun working in the region, cautioned that any sign of unrest would immediately shut down access to the region once more. The Canadian International Development Agency (CIDA) recounted a comment in 2003 at the far end of the spectrum by a provincial official who stated that any assistance except that of the United States or UNDP would be welcome. Other donors suggested that U.S. reluctance to fund directly the GVN through co-financed or bilateral budget support would be a barrier. It was widely agreed that the most critical step to successful entry into the Central Highlands was support at the provincial level.

19. (SBU) ECON/C, USAID Director and HCMC Econoff visited Kon Tum in December 2004 and found provincial officials eager for U.S. assistance (Ref A). The provincial leadership even indicated the possibility of allowing active U.S. NGO presence. Following an INGO visit to the Highlands in May 2004, American Red Cross Country Representative also noted that Kon Tum officials expressed interest in cooperating on projects involving health and education and specifically pointed to the USDA-backed school nutrition program that the American Red Cross is implementing in neighboring Quang Ngai province (Ref B). The Gia Lai provincial government also expressed interest in U.S. assistance. However, the Chairman of Dak Lak People's Committee told us that his province already had sufficient international assistance and was not interested in U.S. aid or technical support.

Possible Entry Points

20. (SBU) While the need is great across many sectors, the following is a short list of possible ideas, initiatives and organizations that could offer an entry point for U.S. engagement with or assistance to the Central Highlands.

--Build on the U.S. Government's development programs already underway implementation in Vietnam: There are currently elements of the present USG development assistance portfolio that might be readily transferable to the Central Highlands. These include work in expanding cocoa production, a non-plantation crop with strong international demand and conducive to small landowners; extending coverage of our program to address the spread of HIV/AIDS under the Presidential Initiative, or an expansion of an aspect of our disability assistance. Doing so would have the advantage of allowing us to begin implementation more quickly with actual on the ground experience already in hand. It would also lessen the management challenge and overhead of an initiative into an area where we have not yet been very active.

--Start small. Currently, assistance under USD 500,000 can be implemented directly with provincial authorities and avoid the lengthy Prime Minister's approval process. Many of the projects funded by the G4 and by the French Embassy have annual funding levels of less than USD 50,000.

--Join a partnership. For example, the Forestry Sector Support Partnership welcomes involvement by non-signatory donors. This could be an opportunity to learn more about the specific forestry initiatives in the region to see if there is an appropriate entry venue to U.S. environmental assistance.

--World Wildlife Fund (WWF) is an international NGO with established partnerships in the Central Highlands. The United States has had partnerships with WWF in other regions.

--The USDA Food for Education Fund supports initiatives such as the Vietnam Education and Child Nutrition Initiative, including school feeding, school-based nutrition and hygiene education and community-based health programming, implemented by the American Red Cross and Vietnam Red Cross. This was a project pointed out with interest by Kon Tum officials during a May 2004 INGO visit. (Ref B)

--Land O'Lakes has also implemented a similar initiative under the Food for Education Fund, with specific links to developing fortified school foods to boost nutrition. This type of initiative could be promoted as a public-private partnership.

--A University of Michigan community education project established a model in Thailand that combines forestry conservation with community-based education. This organization is currently working in Can Tho Province on a similar community-based education model. The increasing alarm over environmental degradation and efforts to train ethnic minorities in forest protection means this area may get increasingly more attention.

--Committee on Population, Families and Children. This committee was recommended as a progressive and strongly staffed Vietnamese government organization that has an established local network and oversees a diverse intersection of social issues.

--UNICEF addresses issues of child welfare, health, safety, nutrition and education at the local level. The agency has a network of established programs in the Highlands and has used funding from New Zealand and Luxembourg on single-source projects targeted to the region.

--Helvetas is a Swiss NGO implementing a USD 5 million extension training project in seven provinces including Dak Lak. It also works in the Central Highlands on a social forestry project and in the Northern Uplands on empowerment of local peoples to manage natural resources. Both its sectoral and grassroots level experience could be instructive.

--Doctors Without Borders, also known as Medecins Sans Frontieres, is already present in Vietnam and serves as an international agency for medical relief to victims of armed conflict, epidemics, disasters as well as others who lack health care due to geographic remoteness or ethnic marginalization.

--East Meets West Foundation is a U.S. non-profit humanitarian organization that partners with the people of Vietnam at the grassroots level to improve their health, education and economic conditions. Its projects include the construction of village water systems, the building and renovation of elementary and kindergarten schools and the establishment of a free dental health clinic. It has been operating in Central Vietnam since 1988 so has a long history, and does not have a political or religious affiliation.

--A number of sources suggested that research could be funded at a relatively low level, could help develop Vietnamese capacity and, if targeted correctly, could effectively inform policy or produce direct assistance tools like the Norway-funded education glossaries in ethnic minority languages. Vietnam Living Standard and Household Survey data also offer interesting possibilities for policy analysis.

--The U.S. Department of Labor could consider possible vocational training assistance in continuation of the U.S.-Vietnam labor cooperation program.

MARINE